恒
Perennial
都

恒都集團有限公司*
PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00725)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

The Board of Directors (the "Board") is pleased to announce the audited consolidated financial results of Perennial International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December 2012.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Revenue	3	**430,958**	472,445
Cost of sales		**(362,290)**	(402,696)
Gross profit		**68,668**	69,749
Other income	4	**13,579**	5,365
Distribution expenses		**(7,339)**	(8,328)
Administrative expenses		**(45,490)**	(45,143)
Other operating expenses, net		**(3,412)**	(4,559)
Operating profit	5	**26,006**	17,084
Finance costs	6	**(2,593)**	(1,584)
Profit before taxation		**23,413**	15,500
Taxation	7	**(3,459)**	(225)
Profit for the year		**19,954**	15,275
Basic and diluted earnings per share (cents)	9	**10.0**	7.7

Details of proposed final dividend payable to shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**19,954**	15,275
Other comprehensive income/(expenses):		
Revaluation surplus on land and buildings	**63,725**	15,868
Deferred tax charged to revaluation reserve	**(11,555)**	(2,959)
Exchange difference arising from translation of financial statements of subsidiaries	**1,990**	4,801
Other comprehensive income for the year, net of tax	**54,160**	17,710
Total comprehensive income attributable to shareholders of the Company	**74,114**	32,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2012

	Note	31st December 2012 HK$'000	31st December 2011 HK$'000
ASSETS			
Non-current assets			
Land use rights	11	**13,043**	13,353
Property, plant and equipment	12	**295,266**	236,153
Investment property	13	**25,180**	13,800
Non-current deposits		**718**	2,624
Deferred tax assets		**4,193**	3,214
		338,400	269,144
Current assets			
Inventories	14	**89,651**	80,540
Trade receivables	15	**100,141**	102,177
Other receivables, deposits and prepayments		**7,474**	8,160
Derivative financial instruments		**172**	–
Taxation recoverable		**–**	2,712
Short-term fixed deposit		**42,633**	–
Cash and cash equivalents		**50,945**	108,142
		291,016	301,731
Total assets		**629,416**	570,875
EQUITY			
Share capital	16	**19,896**	19,896
Other reserves	17	**193,163**	139,003
Retained earnings			
Others	17	**234,132**	220,148
Proposed final dividend	17	**3,980**	3,980
Total equity		**451,171**	383,027

	Note	31st December 2012 HK$'000	31st December 2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**31,287**	21,769
		31,287	21,769
Current liabilities			
Trade and bills payables	*18*	**32,657**	34,907
Other payables and accruals	*18*	**23,209**	19,983
Derivative financial instruments		**–**	794
Taxation payable		**3,495**	–
Short-term bank loans	*19*	**48,000**	56,000
Trust receipt loans	*19*	**39,597**	54,395
		146,958	166,079
Total liabilities		**178,245**	187,848
Total equity and liabilities		**629,416**	570,875
Net current assets		**144,058**	135,652
Total assets less current liabilities		**482,458**	404,796

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2012

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1st January 2012	**19,896**	**139,003**	**224,128**	**383,027**
Profit for the year	**–**	**–**	**19,954**	**19,954**
Revaluation surplus on land and buildings	**–**	**63,725**	**–**	**63,725**
Deferred tax charged to revaluation reserve	**–**	**(11,555)**	**–**	**(11,555)**
Exchange difference arising from translation of financial statements of subsidiaries	**–**	**1,990**	**–**	**1,990**
Total comprehensive income for the year	**–**	**54,160**	**19,954**	**74,114**
Dividend paid	**–**	**–**	**(5,970)**	**(5,970)**
At 31st December 2012	**19,896**	**193,163**	**238,112**	**451,171**
Representing :				
2012 final dividend proposed			**3,980**	
Others			**234,132**	
Retained earnings as at 31st December 2012			**238,112**	
As at 1st January 2011				
– as previous reported	19,896	121,293	219,753	360,942
– adoption of HKAS 12 (Amendment)	–	–	1,040	1,040
As at 1st January 2011	19,896	121,293	220,793	361,982
Profit for the year	–	–	15,275	15,275
Revaluation surplus on land and buildings	–	15,868	–	15,868
Deferred tax charged to revaluation reserve	–	(2,959)	–	(2,959)
Exchange difference arising from translation of financial statements of subsidiaries	–	4,801	–	4,801
Total comprehensive income for the year	–	17,710	15,275	32,985
Dividend paid	–	–	(11,940)	(11,940)
At 31st December 2011	19,896	139,003	224,128	383,027
Representing :				
2011 final dividend proposed			3,980	
Others			220,148	
Retained earnings as at 31st December 2011			224,128	

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st December 2012

	2012 *HK$'000*	2011 *HK$'000*
Cash flows from operating activities		
Net cash generated from operations	**19,558**	25,024
Hong Kong profits tax received/(paid)	**1,534**	(4,377)
Overseas tax paid	**(1,802)**	(2,530)
Bank loans interest	**(2,593)**	(1,532)
Net cash generated from operating activities	**16,697**	16,585
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,333)**	(2,800)
Deposits paid for additions of property, plant and equipment	**1,907**	(1,471)
Interest received	**750**	309
Increase in short-term fixed deposit	**(42,633)**	–
Sale of property, plant and equipment	**52**	149
Net cash used in investing activities	**(45,257)**	(3,813)
Cash flows from financing activities		
Net (repayment)/increase of trust receipt loans	**(14,798)**	20,474
(Repayments of)/increase in short-term bank loans	**(8,000)**	56,000
Repayments of capital element of finance lease contracts	**–**	(2,056)
Interest of finance lease contracts	**–**	(52)
Dividend paid to Company's shareholders	**(5,970)**	(11,940)
Net cash (used in)/generated from financing activities	**(28,768)**	62,426
Net (decrease)/increase in cash and cash equivalents	**(57,328)**	75,198
Cash and cash equivalents at 1st January	**108,142**	32,610
Exchange difference on cash and cash equivalents	**131**	334
Cash and cash equivalents at 31st December	**50,945**	108,142

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000") unless otherwise stated.

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property and derivative financial instruments which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2. ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

Hong Kong Institute of Certified Public Accountants ("HKICPA") has amended HKAS 12, "Income taxes", to introduce an exception to the principle for the HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012.

For the year ended 31st December 2011, the Group had early adopted the amendment of HKAS 12. The relevant impacts had already been reflected in 31st December 2011 financial result.

(b) New standards and interpretations not yet adopted

At the date of approval of these consolidated financial statements, the following are new standards, amendments and interpretations that are published and potentially relevant to the Group's operations, but not yet effective and have not been early adopted by the Group.

HKAS 1 (Amendment) 'Presentation of financial statements' (effective for the Group for annual periods beginning on or after 1st July 2012).

HKAS 27 (Revised 2011) 'Separate financial statements' (effective for the Group for annual periods beginning on or after 1st January 2013).

HKFRS 9 'Financial instruments: Disclosure' (effective for the Group for annual periods beginning 1st January 2013).

HKFRS 10 'Consolidated financial statement' (effective for the Group for annual periods beginning on or after 1st January 2013).

HKFRS 12 'Disclosure of interests in other entities' (effective for the Group for annual periods beginning on or after 1st January 2013).

HKFRS 13 'Fair value measurement' (effective for the Group for annual periods beginning on or after 1st January 2013).

Annual improvement 2011 (effective for the Group for annual periods beginning on or after 1 January 2013).

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electric cable and wire products. Revenue recognised during the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Sale of goods	**430,958**	472,445

The Chief Executive Officer (the chief operation decision maker) has reviewed the Group's internal reporting and determines that there are five reportable segments, based on location of customers under cable and wire products business, including Hong Kong, the Mainland China, Other Asian Countries, America and Europe. These segments are managed separately as each segment is subject to risks and returns that are different from others.

The segment information for the reportable segments for the 2012 and 2011 are as follows:

	Revenue (external sales) 2012	**Segment results 2012**	**Total segment assets 2012**	**Capital expenditure 2012**	**Depreciation 2012**	**Amortisation 2012**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**189,297**	**20,236**	**261,513**	**265**	**3,534**	**–**
Mainland China	**64,798**	**2,773**	**263,431**	**5,068**	**7,684**	**375**
Other Asian countries	**27,263**	**1,534**	**6,518**	**–**	**–**	**–**
America	**148,836**	**5,128**	**68,521**	**–**	**–**	**–**
Europe	**764**	**42**	**60**	**–**	**–**	**–**
Reportable segment	**430,958**	**29,713**	**600,043**	**5,333**	**11,218**	**375**
Unallocated costs, net of income		**(3,707)**				
Operating profit		**26,006**				

	Revenue (external sales) 2011 *HK$'000*	Segment results 2011 *HK$'000*	Total segment assets 2011 *HK$'000*	Capital expenditure 2011 *HK$'000*	Depreciation 2011 *HK$'000*	Amortisation 2011 *HK$'000*
Hong Kong	212,663	13,964	250,748	249	3,488	–
Mainland China	84,385	(2,436)	239,956	2,551	7,123	364
Other Asian countries	33,946	2,120	10,244	–	–	–
America	140,393	6,670	52,682	–	–	–
Europe	1,058	53	231	–	–	–
Reportable segment	472,445	20,371	553,861	2,800	10,611	364
Unallocated costs, net of income		(3,287)				
Operating profit		17,084				

The segment result in 2011 of the Mainland China include provision for doubtful debt of HK$6,859,000. The segment result should become profit of HK$4,423,000 if excluding the above provision.

A reconciliation of total segment assets to Group's total assets

	2012 ***HK$'000***	2011 *HK$'000*
Total segment assets	**600,043**	553,861
Investment property	**25,180**	13,800
Deferred tax assets	**4,193**	3,214
Total assets	**629,416**	570,875

There is no sales between the reporting segments.

Unallocated costs, net of income, mainly represent corporate expenses and income from investment property.

Revenue of approximately HK$183,397,000 (2011: HK$176,174,000) are derived from three major customers as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**81,403**	78,542
Customer B	**58,747**	49,977
Customer C	**43,247**	47,655
	183,397	176,174

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Revaluation surplus on investment property	**11,380**	2,800
Reversal of impairment provision on property, plant and equipment	**–**	154
Scrap sales	**1,449**	2,102
Interest income	**750**	309
	13,579	5,365

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2012	2011
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**375**	364
Depreciation of owned property, plant and equipment	**11,218**	10,611
Auditor's remuneration	**1,178**	1,414
Cost of materials consumed	**269,392**	323,215
Net exchange gain	**(583)**	(3,025)
Operating lease rentals in respect of land and buildings	**357**	397
Loss on disposal of property, plant and equipment	**468**	92
Net (gain)/loss on derivative financial instruments	**(172)**	794
Written-off of trade receivables	**173**	–
Provision for slowing moving inventories	**973**	302
Provision for returns	**261**	1,081
Provision for doubtful debts	**–**	6,859
Staff costs (including directors' emoluments) *(note 10)*	**93,824**	83,579

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans – wholly repayable within five years	**2,593**	1,532
Interest of finance lease contracts	**–**	52
	2,593	1,584

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,427**	1,282
Overseas taxation	**5,276**	1,722
Over provision in prior year	**(228)**	(1,159)
Deferred taxation relating to the origination and reversal of temporary differences	**(3,016)**	(1,620)
	3,459	225

8. DIVIDEND

	2012	2011
	HK$'000	*HK$'000*
Interim, paid, of HK$0.01 (2011: HK$0.01) per ordinary share	**1,990**	1,990
Final, proposed, of HK$0.02 (2011: HK$0.02) per ordinary share	**3,980**	3,980
	5,970	5,970

At a meeting held on 20th March 2013, the Directors proposed a final dividend of HK$0.02 per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2012.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year of HK$19,954,000 (2011: HK$15,275,000) divided by the weighted average number of 198,958,000 (2011: 198,958,000) ordinary shares in issue during the year.

In both 2012 and 2011, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at the end of the reporting period.

10. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**89,696**	79,860
Social security costs	**3,526**	3,175
Pension costs – contribution to MPF scheme	**430**	379
Others	**172**	165
	93,824	83,579

Key management compensation

	2012	2011
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**11,420**	12,407
Discretionary bonuses	**1,518**	1,799
Pension costs – contribution to MPF scheme	**106**	100
	13,044	14,306

11. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
At 1st January	**13,353**	13,457
Amortisation of land use rights	**(375)**	(364)
Exchange adjustment	**65**	260
At 31st December	**13,043**	13,353

	2012	2011
	HK$'000	*HK$'000*
Outside Hong Kong held on:		
– Leases of between 10 to 50 years	**13,043**	13,353

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (note)								
	Inside HK	Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boat	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2012	107,100	90,365	4,555	17,193	1,173	5,171	1,866	8,730	236,153
Additions	–	–	3,457	1,482	58	336	–	–	5,333
Disposals	–	–	(74)	(436)	(10)	–	–	–	(520)
Depreciation	(2,346)	(2,233)	(994)	(3,318)	(258)	(895)	(340)	(834)	(11,218)
Revaluation	13,136	50,589	–	–	–	–	–	–	63,725
Exchange adjustment	–	1,517	39	159	10	61	7	–	1,793
Net book value at 31st December 2012	117,890	140,238	6,983	15,080	973	4,673	1,533	7,896	295,266
At 31st December 2012									
At cost	–	–	12,039	89,545	6,191	13,784	5,356	14,667	141,582
At valuation – 2012	117,890	140,238	–	–	–	–	–	–	258,128
Accumulated depreciation	–	–	(5,056)	(74,465)	(5,218)	(9,111)	(3,823)	(6,771)	(104,444)
Net book value	117,890	140,238	6,983	15,080	973	4,673	1,533	7,896	295,266

	Land and buildings (note) Inside HK	Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boat	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2011	97,500	84,276	5,169	18,685	1,395	4,888	2,410	9,652	223,975
Additions	–	–	106	1,643	11	1,040	–	–	2,800
Disposals	–	–	–	(72)	–	(19)	(150)	–	(241)
Depreciation	(2,137)	(2,039)	(474)	(3,557)	(152)	(904)	(426)	(922)	(10,611)
Revaluation	11,737	4,285	–	–	–	–	–	–	16,022
Exchange adjustment	–	3,843	(246)	494	(81)	166	32	–	4,208
Net book value at 31st December 2011	107,100	90,365	4,555	17,193	1,173	5,171	1,866	8,730	236,153
At 31st December 2011									
At cost	–	–	8,762	90,883	6,207	13,091	5,335	14,667	138,945
At valuation – 2011	107,100	90,365	–	–	–	–	–	–	197,465
Accumulated depreciation	–	–	(4,207)	(73,690)	(5,034)	(7,920)	(3,469)	(5,937)	(100,257)
Net book value	107,100	90,365	4,555	17,193	1,173	5,171	1,866	8,730	236,153

note:

Land and buildings in Hong Kong and Mainland China were revalued by open market basis or replacement costs valued by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2012. Land and buildings in Hong Kong and Mainland China were revalued by open market basis or replacement costs valued by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors as at 31st December 2011.

The carrying amount of these land and buildings would have been HK$54,507,000 (2011: HK$58,365,000) had they been stated at cost less accumulated depreciation.

At 31st December 2012, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK$117,890,000 (2011: HK$107,100,000).

Land and building are held on leases of between 10 to 50 years.

Included in total depreciation expense is an amount of HK$7,248,000 (2011: HK$7,530,000) which has been included in "cost of sales" and HK$3,970,000 (2011: HK$3,081,000) in "Administrative expenses".

13 INVESTMENT PROPERTY

	2012	2011
	HK$'000	*HK$'000*
Net book value at 1st January	**13,800**	11,000
Revaluation surplus credited to the consolidated income statement	**11,380**	2,800
Net book value at 31st December	**25,180**	13,800

Investment property was revalued on the basis of open market value by Centaline Surveyors Limited, an independent firm of chartered surveyors as at 31st December 2012. Investment property was revalued on the basis of open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors as at 31st December 2011.

14. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Raw materials	**26,582**	29,494
Work in progress	**20,304**	16,665
Finished goods	**46,123**	36,766
	93,009	82,925
Provision for slow-moving inventories	**(3,358)**	(2,385)
	89,651	80,540

15. TRADE RECEIVABLES

At 31st December 2012, the ageing analysis of trade receivables is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current – 3 months	**88,382**	99,606
4 – 6 months	**11,660**	10,364
Over 6 months	**8,290**	143
	108,332	110,113
Provision for returns and doubtful debts	**(8,191)**	(7,936)
	100,141	102,177

The Group's trade receivables are mainly denominated in HK$ and USD, and are due within one year from the end of the reporting period. The carrying value of trade receivables approximates their fair value due to their short term maturities.

Payment terms with customers are mainly on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 30 to 90 days of issuance. Longer payment terms might be granted to customers have long-term business relationship with the Group and did not have default in payments in the past history.

16. SHARE CAPITAL

	No. of shares	*HK$'000*
Authorised		
At 31st December 2012 and 31st December 2011, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid		
At 31st December 2012 and 31st December 2011, ordinary shares of HK$0.10 each	198,958,000	19,896

17. RESERVES

	Share premium *HK$'000*	Exchange fluctuation reserve *HK$'000*	Land and building revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Total other reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1st January 2012	15,885	23,102	99,912	104	139,003	224,128	363,131
Profit for the year	–	–	–	–	–	19,954	19,954
Revaluation surplus on land and buildings	–	–	63,725	–	63,725	–	63,725
Deferred taxation charged to revaluation reserve	–	–	(11,555)	–	(11,555)	–	(11,555)
Exchange difference arising from translation of financial statements of subsidiaries	–	1,990	–	–	1,990	–	1,990
Dividend paid	–	–	–	–	–	(5,970)	(5,970)
At 31st December 2012	15,885	25,092	152,082	104	193,163	238,112	431,275
As at 1st January 2011							
– as previous reported	15,885	18,301	87,003	104	121,293	219,753	341,046
– adoption of HKAS 12 (Amendment)	–	–	–	–	–	1,040	1,040
As at 1st January 2011	15,885	18,301	87,003	104	121,293	220,793	342,086
Profit for the year	–	–	–	–	–	15,275	15,275
Revaluation surplus on land and buildings	–	–	15,868	–	15,868	–	15,868
Deferred taxation charged to revaluation reserve	–	–	(2,959)	–	(2,959)	–	(2,959)
Exchange difference arising from translation of financial statements of subsidiaries	–	4,801	–	–	4,801	–	4,801
Dividend paid	–	–	–	–	–	(11,940)	(11,940)
At 31st December 2011	15,885	23,102	99,912	104	139,003	224,128	363,131

18. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Trade and bills payables	**32,657**	34,907
Other payables and accruals	**23,209**	19,983
Total	**55,866**	54,890

At 31st December 2012, the ageing analysis of trade and bills payable is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current – 3 months	**30,121**	28,207
4 – 6 months	**1,627**	6,209
Over 6 months	**909**	491
	32,657	34,907

19. BORROWINGS

	31st December 2012	31st December 2011
	HK$'000	*HK$'000*
Short-term bank loans	**48,000**	56,000
Trust receipt loans	**39,597**	54,395
Total borrowings	**87,597**	110,395

Total borrowings included secured liabilities of HK$87,597,000 (2011: HK$92,395,000), which are secured by land and buildings and investment property of the Group.

20. COMMITMENTS

(a) Capital commitment

At 31st December 2012, the Group had the following capital commitment for leasehold improvements and plant and machinery:

	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for	**1,496**	2,248

(b) Commitments under operating leases

At 31st December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**75**	20
Later than one year and not later than five years	**–**	–
	75	20

(c) The Company did not have any other significant commitments at 31st December 2012 and 2011.

21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2012 the Group's banking facilities amounting to approximately HK$268,075,000 (2011: HK$265,810,000) were secured by the following:

(a) legal charges over certain land and buildings and investment property of the Group with a total net book value of HK$143,070,000 (2011: HK$120,900,000);

(b) a deed of guarantee executed by the Company amounting to HK$145,000,000 (2011: HK$145,000,000).

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL REVIEW

Results

The Group's revenue was HK$430,958,000 (2011: HK$472,445,000). Profit for the year was HK$19,954,000 compared to HK$15,275,000 in 2011, up 30.6%. Earnings per share were HK$0.10 (2011: HK$0.077).

Final Dividend

The Board recommend the payment of a final dividend of HK$0.02 per share. Together with the interim dividend of HK$0.01 per share, the Group's total dividend for the year 2012 amount to HK$0.03 per share (2011: HK$0.03 per share).

The proposed final dividend is subject to approval of the shareholders at the forthcoming annual general meeting to be held on 3rd May 2013, is to be payable on 23rd May 2013 to shareholders.

Liquidity and Financial Resources

At the end of December 2012, the consolidated short-term indebtedness of the Group was approximately HK$87,597,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK$93,578,000.

At the end of December 2012, the Group's trade receivables balance was approximately HK$100,141,000, representing 23.2% of the year's turnover of approximately HK$430,958,000. The Group adopted a stringent credit policy to minimize credit risk.

The interest cover was 10.0 times as compared to 10.8 times in 2011.

Capital Expenditure and Material Acquisitions

During the year under review, capital expenditures were approximate to HK$5,333,000.

Capital Structure

As at 31st December 2012, the consolidated shareholders' equity of the Group was approximately HK$451,171,000, an increase of 17.8% over that of the previous year. The debt to equity ratio, calculated by dividing total liabilities to shareholders' equity, was approximately 39.5%.

Pledge of Assets

As at 31st December 2012, the Group's banking facilities amounting to approximately HK$87,597,000 were secured by legal charges over certain land and buildings, and investment property of the Group with a total net book value of HK$143,070,000.

BUSINESS REVIEW

Sales of power cords and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 55%, 12%, 31% and 2% of the Group's total turnover, respectively, in this financial year.

Our company continued to remain profitable for the year 2012, despite a challenging year of continued economic uncertainty resulting from the European sovereign debt crisis and rising costs of labour and weak market demand.

Manufacturers in mainland China faced challenging operating environment throughout the year under review. A trifecta of increased running costs resulting from highly volatile commodity prices; rising costs of complying with Chinese labour and environmental legislation; and, the appreciation of Renminbi, has exerted pressure on the Group's profit margin.

To mitigate the effect of rising operational costs in China, the Group has continued to pursue effective hedging strategies against volatile commodity prices and rising Renminbi and to capitalise on 'lean manufacturing' strategies, increasing automation and rationalising the workforce to augment operational efficiency.

Pursuant to the mandatory requirement from the Government of the People's Republic of China ("PRC"), all enterprises operating under the business licence of contractors must transform into wholly foreign-owned enterprises. The operation of our two Chinese factories, Shenzhen Baoan Shiyan Perennial Plastic and Metal Manufactory and Baoan Shiyan Perennial Plastic Manufactory have therefore been replaced by Shenzhen Perennial Plastics and Metal Limited and Shenzhen Perennial Plastic Limited respectively since 1st May 2012. Also, the business mode of the two factories changed from tolling processing to import processing. As a result, our two Chinese enterprises are subject to enterprise income tax in the PRC. And those profit related to import processing arrangement are no longer eligible for the 50:50 apportionment as allowed by Hong Kong Inland Revenue Department, the taxation charge was increased substantially.

The Group's unwavering commitment to the quality of our products and providing value for customers remains unchanged, despite the current difficult economic climates. We have chosen not to partake in the unsustainable price cutting adopted by some competitors.

FUTURE PROSPECTS

Given the uncertain economic environment, we are cautiously optimistic that the global economic environment will improve gradually in 2013.

Rising pressures on costs will likely remain with the continuing appreciation of the Renminbi, making improving margins a challenging task. Our solution is to explore new high class customers, consider setting up new production plant in cost competitive location and improve operational efficiency by using independent accounting for each department to reduce labour costs. All these measures help us continue to create great value for our customers and shareholders.

We are facing an uncertain business environment, with prolonged economic recovery seen in the United States against the tightening of credit resulting from the European sovereign debt crises. Nevertheless, the Group remains optimistic about its long-term prospects and has strong cash-flow and adequate reserves to face any upcoming challenges and business risk.

Our core strategy remains creating value for our customers. We endeavour to continue providing high quality products at competitive prices.

The Group is also dedicated to producing environmentally-sound products. We will continue to invest in the research and development of eco-friendly products in order to meet the European Union's new environmental protection regulations.

The United States remains the Group's primary overseas market. It is our goal to develop new revenue driver for the Group by expanding into other overseas markets in the near future.

On the human resources front, we will continue to attract and retain talent through the provision of competitive remuneration packages, employee recognition, seniority-based benefits, training programmes as well as leisure and recreation facilities for staff.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2012, the Group employed approximately 1,300 full time management, administrative and production staff worldwide. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital, In addition to on-job training, the Group adopts policies of continuous professional training programs.

LITIGATION

Litigation is being processed against General Protecht Group Inc. for their overdue debt. The trial will be conducted in the PRC in March 2013. Full provision for the overdue debt was made in the year of 2011.

SOCIAL RESPONSIBILITY

The Group holds a strong belief in corporate social responsibility. So we continue to participate in and support community activities in both Hong Kong and the PRC.

AUDIT COMMITTEE

During the year, the Audit Committee reviewed the interim financial report and the audited financial results of the Group for the year ended 31st December 2012 and the accounting principles and practices adopted by the Group. The Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control systems and made recommendations to the Board.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

With effect from 1st January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors confirm that the Company has fully complied with the code provisions set out in the Corporate Governance Code (the "Code") attached to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as Appendix 14, and adopted recommended best practices set out in the Code whenever appropriate except Mr. Ma Chun Hon, Richard, an Independent Non-Executive Director, was unable to attend the Company's annual general meeting held on 24th May 2012 due to the business engagements. During the year, Ms. Koo Di An, Louise, Chairman, was unable to hold a meeting with the Independent Non-Executive Directors without the presence of the Executive Directors due to other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they had complied with the required standards of the said code during the year.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website http://www.hkex.com.hk of the Stock Exchange and on the Company's website http://www.equitynet.com.hk/0725 in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 30th April 2013 to 3rd May 2013, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be eligible to attend vote at the 2013 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29th April 2013; and

(ii) from 13th May 2013 to 15th May 2013, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later that 4:30 p.m. on 10th May 2013.

APPRECIATION

On behalf of the Board of Directors, my sincere thanks to our loyal shareholders, partners and customers for their continuous support and to our staff for their dedication.

By Order of the Board
Koo Di An, Louise
Chairman

Hong Kong, 20th March 2013

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

As at the date of this announcement, the executive Directors are Mr. MON Chung Hung, Mr. SIU Yuk Shing, Marco, Ms. MON Wai Ki, Vicky and Ms. MON Tiffany, the non-executive Director is Ms. KOO Di An, Louise and the independent non-executive Directors are Mr. LAU Chun Kay, Mr. LEE Chung Nai, Jones and Mr. MA Chun Hon, Richard.

* *For identification purposes only*